

Part I

THE U.S. ECONOMY AND GLOBAL TRENDS UNDER THE SECOND TRUMP ADMINISTRATION

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Part I analyzes developments in the U.S. economy and trade policy against the backdrop of the second Trump administration, and examines their implications for the global economy and the Asia-Pacific region, with a particular focus on key issues such as trade, energy security, and technological leadership. It also presents a multifaceted discussion of growth strategies in ASEAN countries and the responses of Japanese companies.

Chapter 1 examines changes in the Trump administration's trade policy and analyzes challenges related to trade structures as well as resource and technology issues. It also assesses the impacts of shifts in U.S. policy on both domestic and international economies.

Section 1 reviews the outcomes of the "trade war" under the first Trump administration and examines the intentions and impacts of the high-tariff policy advocated by the second administration. In particular, it analyzes the effects on prices and real incomes, the trade balance, and trade and direct investment with China, while highlighting the risks to energy policy and resource supply, posed by the war in Ukraine and the conflict in Gaza. It also discusses the economic implications of U.S.–China competition over technological leadership, with due consideration given to the importance of rare metals, especially rare earths.

Section 2 outlines recent policy developments in the U.S. economy, providing an overview of the characteristics of the expansionary fiscal policy pursued by the Biden administration and the policy agenda put forward by the second Trump administration. While touching on developments in monetary policy, the section examines the broad impacts of U.S. trade policy on the international economy, including: (1) the effects of the United States' departure from free trade principles on global economic growth, and (2) responses by major trading partners, against the backdrop of intensifying U.S.–China rivalry fueled by Trump-era tariffs.

Section 3 reviews domestic debates within the United States over the Trump tariffs, analyzes the underlying strength of China's manufacturing sector, and examines policy measures aimed at expanding final demand, which is key to the sustainability of the Chinese economy. In addition, the section offers perspectives that caution against being misled by misunderstandings or distorted views of the Chinese economy.

Chapter 2 focuses on key economic challenges facing the Asian region, analyzing Japan's and Japanese companies' strategies toward Southeast Asia and the importance of the ASEAN economy from the perspective of trade structures. It also examines the positioning of the ASEAN economy in light of the impacts of U.S.–China tensions on regional economic dynamics.

Section 1 analyzes structural changes in the ASEAN economy and the response strategies of Japan and Japanese companies against the backdrop of disruptions to the international trade order. Drawing on simulation results from the Institute of Developing Economies, it presents four alternative strategic approaches. The section also underscores the importance of preserving the international trade order and examines the coordination of economic diplomacy between Japan and ASEAN.

Section 2 analyzes trends in the activities of Japanese companies' overseas affiliates, clarifying their relationship with domestic production as well as regional changes in sales and capital investment. In addition, using the Grubel–Lloyd index, the section conducts a detailed examination of the characteristics of trade structures between Kansai and Japan as a whole and their trade with China, the United States, and major ASEAN economies.

Part I provides a multifaceted analysis of the structural changes occurring in the world and the Asia-Pacific region at a time when the international economy is at a turning point. Part II examines the impact of these changes on the Kansai economy and the challenges it faces in achieving sustainable growth.